

Meeting Minutes | Board of Directors

Wednesday, September 16, 2015 | 1 p.m.
200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

Minutes approved October 21, 2015

Board Members Present: Chairman Art Bjontegard, Mr. Frank Fusco, Mr. Steve Heisler, Sheriff Leon Lott, Mr. Steve Matthews, Mr. Steve Osborne, Vice Chairman Joe “Rocky” Pearce, Mr. Audie Penn, Mr. John Sowards, and Mr. David Tigges

Board Members Present via Telephone: Ms. Stacy Kubu

Others Present for All or a Portion of the Meeting: Peggy Boykin, Tom Cone, Matthew Davis, Sarah Corbett, Ariail Kirk, Megan Lightle, Heather Muller, Tammy Nichols, Darry Oliver, Jacalin Shealy, Laura Smoak, Rob Tester, Stephen Van Camp, Lori Anna Varnadoe, Angie Warren, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Geoffrey Berg and Mike Hitchcock from the South Carolina Retirement System Investment Commission (RSIC); Courtney Kim from the South Carolina Office of the State Treasurer; Sam Griswold and Wayne Pruitt from the State Retirees Association of South Carolina; Carlton Washington from the South Carolina State Employees Association; and Thompson Kinney from Milliken Law Firm.

I. Call to Order

Chairman Art Bjontegard called the PEBA Board of Director’s (Board) meeting to order at 1:00 p.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Adoption of Proposed Agenda

Mr. Rocky Pearce made a motion, which was seconded by Mr. Steve Heisler, and approved unanimously, to adopt the proposed Board meeting agenda.

III. Approval of Meeting Minutes- August 19, 2015

Mr. Heisler made a motion, which was seconded by Mr. Audie Penn, and approved unanimously, to adopt the August 19, 2015, meeting minutes as presented.

IV. RSIC Report on Performance

Mr. Geoffrey Berg, Managing Director, South Carolina Retirement System Investment Commission (RSIC), provided a fiscal year 2015 performance review for the period ending June 30, 2015. Mr. Berg reviewed key impacts for 2015 fiscal year performance including:

1. A declining global growth forecast which caused sharp declines in inflation expectations; and
2. The strong dollar which impaired the value of non-dollar assets.

Mr. Berg reviewed the fiscal year asset class benchmarks, and noted that real estate and private equity were the only two asset classes that outperformed the actuarial rate of return of 7.5 percent. Mr. Berg explained the annual process of determining the Plan's appropriate asset allocation after reviewing the asset liability study conducted by the Plan's Investment Consultant.

Mr. Berg also discussed the Plan's adjusted portfolio exposure, fiscal year contributions by asset class, and cumulative and fiscal year plan performance. Mr. Berg stated that as of June 30, 2015, Plan performance is 1.60 percent.

V. PEBA 2017 Agency Budget Approval

Mrs. Peggy Boykin, PEBA's Executive Director, provided a brief history of PEBA's approved budget authorizations, and reviewed the 2017 budget request. Mrs. Boykin stated that PEBA will not be requesting an increase in budget authorization for 2017, but will need to request additional financial resources for 2018, due to project implementations resulting from the Operational Assessment.

Mrs. Boykin stated that the FAAC Committee made a motion to recommend the 2017 PEBA agency budget request to the full Board for approval, and reminded the Board that Committee recommendations do not require a second. The motion passed unanimously.

VI. Strategic Planning Status Report

Mrs. Sarah Corbett, PEBA's Chief Operating Officer, confirmed that staff anticipates meeting the 2015 target completion dates for all items noted on the Staff Action Plan.

VII. Board Orientation Review

Chairman Bjontegard stated that the Board of Directors Orientation Notebook is posted on Director's Desk, and encouraged all Board members to familiarize themselves with the Orientation Notebook, and use it as a reference when needed. Mrs. Corbett pointed out the key topics that are covered in the Notebook, and advised the Board that there are hyperlinks within each section to make the Orientation Notebook as user friendly as possible.

VIII. Committee Reports

A. Health Care Policy Committee

Mr. Rocky Pearce reported that the Health Care Policy Committee met earlier in the morning, and received an update on the PEBA Board Strategic Plan-Staff Action Plans related to the Health Care Policy Committee, as well as a Health Care Quarterly Dashboard.

Mr. Pearce stated that the new Pharmacy Benefit Manager (PBM) contract with Express Scripts, Inc. (ESI) will begin January 1, 2016. The Committee received a presentation from Ms. Traci Young, Senior Account Executive, on the implementation process which will be closely monitored to ensure a smooth transition. Mr. Pearce confirmed that the communication materials and membership cards will be co-branded with the ESI and PEBA Logos.

Mr. Pearce advised that the Committee received a report regarding a hospital quality information initiative, which referenced various potential sources that could be provided to State Health Plan members to help determine which hospitals may provide the best care.

B. Retirement Policy Committee

Mr. John Sowards advised that the Retirement Policy Committee met on September 9, 2015, and nominated Mr. David Tigges to serve as the Committee's Vice-Chairman.

Mr. Sowards advised that the Committee has been charged to conduct a review of the Retirement System's investment returns and asset allocation, and will be meeting at regular intervals to complete this task.

Mr. Sowards stated that the Committee received Deferred Compensation and State ORP Quarterly Reports as information, and noted that there are two State ORP fund change recommendations. Mr. Sowards noted that the Committee approved to adopt the recommendations of Summit and PEBA Staff to replace the MetLife AllianceBernstein funds with the American Funds suite of target date funds, and to replace the Neuberger Berman Real Estate Fund with the TIAA-CREF Real Estate Securities Fund.

Chairman Bjontegard stated that these are Committee recommendations which do not require a second. The motion passed unanimously.

Mr. Sowards stated that the Committee reviewed the PEBA Board Strategic Plan-Staff Action Plans related to the Retirement Policy Committee that will be completed by the end of 2015.

C. Finance, Administration, Audit and Compliance (FAAC) Committee

Mr. Steve Matthews stated that the FAAC Committee met on September 9, 2015, and nominated Mr. Steve Osborne to serve as the Committee's Vice-Chairman.

Mr. Matthews stated that the Committee received the annual PEBA agency budget report, and reviewed the 2016 Communications Strategic Plan.

Mr. Matthews advised that the Committee also received the 2014 Deferred Compensation Audit Report; the fiscal year 2014-2015 Accountability Report; and reviewed the PEBA Board Strategic Plan-Staff Action Plans related to the FAAC Committee that will be completed by the end of 2015.

Mr. Matthews concluded his report by stating that Mr. John Page, Director of Internal Audit, presented the Internal Audit Annual Certification of No Conflicts and the Audit Plan Status Report to the Committee.

IX. Old Business

A. Director's Report

Mrs. Boykin advised the Board that the 2014 Deferred Compensation Audit Report will be discussed in detail at the October 7, 2015, Retirement Policy Committee meeting.

B. Roundtable Discussion

At the conclusion of the Director's Report, Chairman Bjontegard provided an opportunity for a roundtable discussion. Mr. Heisler complemented PEBA staff on their continued efforts to support the Board.

Mr. Matthews reported that he attended the National Council on Teacher Retirement (NCTR) Trustee Workshop July 26-29, 2015, and stated that although the conference was very informative, it focused mainly on investment returns, and may be more beneficial for a member of the Retirement Policy Committee to attend in the future.

Chairman Bjontegard reported that he has received very positive feedback from employers who attended the Benefits at Work (BAW) Conference that was held at the Columbia Convention Center August 31 - September 3, 2015. Mrs. Boykin thanked PEBA staff that helped to make the conference a success.

X. Executive Session

At 2:25 p.m., Mr. Heisler made a motion, which was seconded by Mr. Matthews, and passed unanimously, to recede into executive session to discuss matters exempted from public disclosure pursuant to S.C. Code of Laws § 2-15-120, and to receive a cyber-security update pursuant to S.C. Code of Laws § 30-4-70.

The Board reconvened in open session at 3:15 p.m. Chairman Bjontegard announced that no action was taken by the Board while in executive session.

XI. Adjournment

There being no further business, and upon motion by Mr. Frank Fusco, which was seconded by Mr. Matthews, and approved unanimously, the Board meeting adjourned at 3:17 p.m.